

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05
EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 HUD-01 AGRE-00 IGA-02 /082 W
-----172015Z 112765 /72

R 171205Z JUN 77

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 6281

INFO AMEMBASSY ABU DHABI

AMCONSUL ALEXANDRIA

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

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E.O 11652: N/A

TAGS: EFIN EG

SUBJ: KAISSEUNI CONSIDERS BUDGET INCREASES

REF: CAIRO 9020

1. AL AHRAH FEATURED ON FRONT PAGE JUNE 15 IT HAS "LEARNED"
THAT DEPRIMIN FOR ECONOMIC AND FINANCIAL AFFAIRS KAISSEUNI
AND MINISTERS OF HIS ECONOMIC GROUP (TRADE/SUPPLY, ECONOMY,
FINANCE AND PLANNING) ARE IN PROCESS DRAFTING REPORT FOR
PRESENTATION TO PRESIDENT SADAT AND PRIME MINISTER SALEM ON
EGYPTIAN FINANCIAL AND ECONOMIC SITUATION, CONCENTRATING ON
PROJECTIONS FOR FINAL SIX MONTHS OF 1977. PRESS REPORTS THAT
KAISSEUNI'S REPORT WILL ADDRESS ITSELF TO GOVERNMENT'S NEED
FOR FINANCING OF ESTIMATED ADDITIONAL ONE BILLION POUNDS
(\$2.5 BILLION AT OFFICIAL RATE) FOR REMAINDER OF 1977.
ONE BILLION POUNDS REPORTEDLY INCLUDES LE 500 MILLION IN
ADDITIONAL APPROPRIATIONS REQUESTED BY VARIOUS MINISTRIES,
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APPROVAL FOR SOME OF WHICH ALREADY HAD BEEN GIVEN ACCORDING
TO THEIR PRIORITY UNDER DEVELOPMENT PLAN (PRESS MENTIONED
FOLLOWING APPARENTLY DESCENDING ORDER OF DEVELOPMENT PRIORITIES:
FOOD PRODUCTION, HOUSING, REVITALIZATION OF EXISTING INDUSTRIES,
AGRICULTURE AND OTHER UNCOMPLETED PROJECTS). KAISSEUNI,
ACCORDING AHRAH, WILL RECOMMEND THAT ONLY THOSE UNCOMPLETED
PROJECTS IN PRIORITY AREAS OR THOSE WHICH "MAINTAIN ECONOMIC

STABILITY" BE CONSIDERED FOR THIS YEAR IN ADVANCE OF APPROVAL OF FIVE-YEAR PLAN.

2. KAISOUNI, ACCORDING PRESS, WILL ALSO SUGGEST HOW TO SETTLE 300 MILLION POUNDS WORTH OF DEBTS OWED BY CONTRACTING COMPANIES (PRESUMABLE PUBLIC SECTOR) TO BANKS AND OTHER FIRMS DEBTS WHICH ARE AFFECTING THEIR (BANK'S AND OTHERS') LIQUIDITY POSITIONS. REPORT WILL FURTHER DEAL WITH COMPENSATING FOR REVENUE WHICH WAS COLLECTED IN LAST YEAR INSTEAD OF THIS FISCAL YEAR WHEN IT IS ACTUALLY DUE.

3. KAISOUNI'S ANTICIPATED REPORT TO PRESIDENT APPEARS TO FOLLOWUP TO HIS RECENT POLICY STATEMENT (REFTEL) BEFORE PEOPLES ASSEMBLY (PA). IN PA STATEMENT KAISOUNI PLACED EMPHASIS ON PROCEEDING WITH ECONOMIC REFORM AND DEVELOPMENT PLAN. HE STRESSED THAT GODE LOANS TOTALLING NEARLY \$2,000 MILLION (TO BE USED TO SETTLE SHORT TERM OBLIGATIONS) AND AGREEMENTS WITH KUWAIT AND SAUDI ARABIA TO POSTPONE REPAYMENT OF THEIR DEPOSITS HAD AFFORED ECONOMY STABILITY AND FREEDOM TO PURSUE ECONOMIC REFORM AND RATIONAL DEVELOPMENT.

3. COMMENT. AT FIRST GLANCE SPECULATION THAT GOVERNMENT NEEDS EXTRA BILLION POUNDS FOR REMAINDER 1977 WOULD APPEAR TO REPRESENT A STARTLING SETBACK FOR ECONOMIC REFORM PROGRAM. WE BELIEVE THAT TONE OF STORY PERHAPS INDICATES, HOWEVER, THAT KAISOUNI IS UNDER PRESSURE FROM CERTAIN CABINET MEMBERS AND ELSEWHERE WITHIN GOE TO LOOSEN PURSE STRINGS AND THUS ABANDON NASCENT EFFORT TO CARRY THROUGH ON ECONOMIC REFORM MEASURES. BY RAISING LARGE SUM OF UNCOVERED OBLIGATIONS, LIMITED OFFICIAL USE

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AS SPECTRE, IT APPEARS HE MAY INTEND TO INVOLVE HIGHEST LEVELS OF GOVERNMENT IN HOLDING LINE ON PREVIOUS DECISION THAT ECONOMIC REFORM MUST CONTINUE.
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